

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 FRB-01 H-01 INR-07 INT-05 L-02 LAB-04 NSAE-00

NSC-05 PA-01 RSC-01 AID-05 CIEP-01 SS-15 STR-01

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

IO-10 AF-06 ARA-06 EA-06 NEA-09 OIC-02 /125 W

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R 071825Z JAN 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7053

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E.O. 11652: N/A

TAGS: OCON, ICO

SUBJECT: COFFEE: WORKING GROUP ON NEGOTIATION OF A
NEW AGREEMENT

REF: LONDON 16341

1. SUMMARY. WORKING GROUP (WG) ON NEGOTIATION OF A
NEW AGREEMENT MET JANUARY 6 AND, AFTER THRASHING AROUND,
DECIDED TO CONSTITUTE TWO SUB-GROUPS TO CONSIDER ISSUES
RELATED TO SUPPLY/DEMAND (INCLUDING MECHANISMS FOR
REGULATING SUPPLY) AND PRICES. BOTH SUB-GROUPS WILL
BE COMPOSED OF MEMBERS OF EXECUTIVE BOARD PLUS
PORTUGAL, COSTA RICA, SWEDEN AND THE NETHERLANDS. WG
ALSO DECIDED TO MEET AGAIN WEDNESDAY A.M. FOR
PRESENTATION AND QUESTION/ANSWER SESSION FROM THOSE
COUNTRIES WHICH HAVE SUBMITTED FORMAL PROPOSALS
(BRAZIL, NETHERLANDS, OAMCAF, PORTUGAL, SWEDEN,
UGANDA), OR ARE ABOUT TO SUBMIT THEM (MEXICO, ZAIRE,
MALAYSIA). IN MEANTIME, ON TUESDAY, CONSUMERS
CAUCUSED AND EXECUTIVE BOARD MET TO CONSIDER LATEST
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REPORT OF WG ON INDICATOR PRICES (SEPTTEL). SUB-GROUPS

SCHEDULED TO MEET THURSDAY AND FRIDAY. FOR MOST PART, FIRST DAY PROCEEDED IN BUSINESS-LIKE, NON-POLEMIC FASHION UNDER CHAIRMANSHIP OF ACTING EXECUTIVE DIRECTOR LOUDON. END SUMMARY.

2. FIRST SESSION OF WG CALLED TO ORDER BY DEPUTY EXECUTIVE DIRECTOR LOUDON WHO REPORTED EXECUTIVE DIRECTOR BELTRAO DOWN WITH FLU AND EXPECTED TO BE OUT MOST OF WEEK. IT WAS DECIDED TO ELECT EXECUTIVE DIRECTOR (LOUDON ACTING) AS CHAIRMAN OF WG. LOUDON REPORTED THAT PROPOSALS FOR A NEW AGREEMENT HAD RECENTLY BEEN RECEIVED FROM PORTUGAL, SWEDEN, MALAYSIA AND ZAIRE. MEXICO (AT P.M. SESSION) INDICATED IT WOULD ALSO SUBMIT WRITTEN PROPOSALS. AFTER SOME DISCUSSION, IT WAS DECIDED TO RESERVE WEDNESDAY A.M. FOR FORMAL PRESENTATIONS OF PROPOSALS BY THOSE COUNTRIES WHO WISHED TO DO SO AND FOR QUESTION/ANSWER SESSION ON ALL PROPOSALS. LOUDON INDICATED SWEDEN, NETHERLANDS AND PERHAPS PORTUGAL WOULD INTRODUCE THEIR PROPOSALS. BRAZIL (RAFFAELLI) INDICATED IT WOULD ANSWER QUESTIONS.

3. AT REQUEST OF UK, ICO STAFF CIRCULATED A SUMMARY OF THE SALIENT POINTS OF PROPOSALS SUBMITTED THUS FAR FOR WG TO CONSIDER IN CONNECTION WITH ORGANIZATION OF WORK PROGRAM.

4. DISCUSSION SIDETRACKED WHEN EL SALVADOR REP (MARTINIZ) SUGGESTED ALL MEMBERS SHOULD BE PREPARED TO COMMENT ON PRODUCER STATEMENT (REFTEL) THAT "AN INDISPENSABLE CONDITION FOR CONCLUSION OF A NEW AGREEMENT IS INCLUSION OF GUARANTEE SYSTEM FOR BASIC PRICES, INCLUDING AUTOMATIC, PERIODIC ADJUSTMENTS IN ORDER TO MAINTAIN REAL SALE VALUE OF COFFEE." FRG REP (RORIG) ASKED WHAT SYSTEM THE PRODUCERS HAD IN MIND AND HAD THEY ALREADY WORKED OUT A NEW SYSTEM FOR MARKET DISTRIBUTION. BRAZIL SUGGESTED DISCUSSION SHOULD FOCUS ON PRINCIPLES, NOT MECHANISMS. OAMCAF (N'DIA) SAID HE DIDN'T CARE HOW WG APPROACHED TOPIC SO LONG AS THEY BROKE THE CIRCULAR DISCUSSIONS OF THE PAST AND GOT DOWN TO SPECIFICS. FRG REP SAID THAT IF "GUARANTEE" AND "AUTOMATIC" MEANT LIMITED OFFICIAL USE

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WHAT HE THOUGHT THEY DID, THE FRG HAD PROBLEMS WITH PRODUCER STATEMENT. FRANCE (GALLO) SAID PRESIDENT OF FRANCE WOULD CONSIDER COMMODITY PROBLEMS SOMETIME IN JANUARY AND HE COULD NOT ANTICIPATE FRENCH POSITIONS. MEXICO (DAVID PENA) SUPPORTED EL SALVADOR/BRAZIL AND STATED NOT TIMELY TO DISCUSS MECHANISMS. CANADA (MUSGROVE) OBJECTED THAT IF PRODUCER STATEMENT WAS MEANT AS A PRECONDITION OR ULTIMATUM, IT WAS UNACCEPTABLE

SINCE IT WAS UNCLEAR, IMPRECISE AND NOT LIKELY TO LEAD TO CONSTRUCTIVE DIALOGUE. USREP SUPPORTED CANADIAN AND SUGGESTED DISCUSSION RETURN TO WORK PROGRAM. SHORTLY THEREAFTER MORNING MEETING ADJOURNED.

5. AFTERNOON DISCUSSIONS DEVOTED LARGELY TO TOPICS AND SIZE OF SUB-GROUPS. EARLY CONSENSUS EMERGED THAT SUPPLY/DEMAND SITUATION (INCLUDING MEASURES TO CONTROL

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SUPPLY) AND PRICES WERE MOST IMPORTANT SUBSTANTIVE AREAS FOR SUB-GROUPS TO STUDY. BRAZIL SUGGESTED SUB-GROUPS BE COMPOSED OF WG MEMBERS PLUS TWO ADDITIONAL CONSUMER MEMBERS AND TWO PRODUCERS. AFTER PROLONGED DISCUSSION SEATING ARRANGEMENTS FOR ADDITIONAL MEMBERS IN EXECUTIVE BOARD ROOM IT WAS DECIDED TO ADD THE NETHERLANDS, SWEDEN, PORTUGAL AND COSTA RICA TO THE SUB-GROUPS.

6. WG SCHEDULED TO MEET AGAIN WEDNESDAY, JANUARY 8, TO HEAR FORMAL PRESENTATION OF PROPOSALS SUBMITTED. SUB-GROUPS WILL MEET JANUARY 9 AND 10. CONSUMERS CAUCUSED MORNING JANUARY 7 FOLLOWED BY SPECIAL MEETING OF EXECUTIVE BOARD HELD TO CONSIDER REPORT ON INDICATOR PRICES SUBMITTED BY THE STATISTICS GROUP. AT CONSUMER CAUCUS ALL CONSUMING COUNTRIES, INCLUDING SCANS AND NETHERLANDS, STATED THEIR GOVERNMENTS OPPOSED TO CONCEPT OF "AUTOMATIC INDEXATION" AND MOST EMPHASIZED IT PARTICULARLY INAPPROPRIATE FOR COFFEE. HOWEVER, LIMITED OFFICIAL USE

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SEVERAL INDICATED THEY COULD SUPPORT PROVISIONS FOR PERIODIC NEGOTIATIONS ON PRICE GOAL ADJUSTMENTS WHICH WOULD TAKE INTO ACCOUNT MARKET DEVELOPMENTS AS WELL AS PRODUCTION COST INCREASES, AND OTHER RELEVANT FACTORS. CONSENSUS OF CAUCUS WAS THAT SALVADOR DEMAND FOR "DECISION ON PRINCIPLE" HAD BEEN SUCCESSFULLY BLUNTED AND THAT WHILE ISSUE WOULD UNDOUBTEDLY COME UP AGAIN IN SOME FORM OR ANOTHER, THIS COULD TURN OUT TO BE A NEGOTIATING TACTIC.

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